

Message Text

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ACTION EA-09

INFO OCT-01 EB-08 ISO-00 AID-05 CIAE-00 FRB-01 INR-07
NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /091 W
-----281019Z 080433 /14

R 280338Z JAN 77

FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 8675
INFO USDOC WASHDC
AMCONSUL HONG KONG
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE

UNCLAS BANGKOK 2134

E.O. 11652: N/A

TAGS: BEXP, TH

SUBJECT: PRIME MINISTER THANIN SPEAKS TO THE FOREIGN CHAMBERS OF
COMMERCE

SUMMARY: PRIME MINISTER THANIN KRAIWICHIAN SPOKE ON FOREIGN
INVESTMENT TO THE COMBINED FOREIGN CHAMBERS OF COMMERCE ON
JANUARY 26. HIS POSITIVE SPEECH AND WILLINGNESS TO ANSWER
QUESTIONS WERE GENERALLY WELL RECEIVED BY THE FOREIGN BUSINESS
COMMUNITY. THE NEXT DAY THE PRESS CARRIED FRONT PAGE STORIES AND
A BANGKOK POST EDITORIAL PRAISED THE PM'S FRANKNESS, HUMOR, AND
STRAIGHTFORWARDNESS. END SUMMARY.

1. ON JANUARY 25, PRIME MINISTER THANIN KRAIWICHIAN SPOKE
ON "THE GOVERNMENT'S POLICY ON FOREIGN INVESTMENT" TO A
COMBINED MEETING OF THE FOREIGN CHAMBERS OF COMMERCE, ATTENDED
BY OVER SIX HUNDRED FOREIGN AND THAI BUSINESSMEN. THE BRITISH,
GERMAN, FRENCH, JAPANESE, AUSTRIAN, AND AMERICAN AMBASSADORS
WERE IN ATTENDANCE.

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2. IN THE FIRST PART OF HIS SPEECH, THANIN MADE THE EXPECTED
PLEDGES TO FOREIGN BUSINESS COMMUNITY, WHICH WERE:
A) STRIKES WOULD NO LONGER CONSTITUTE A MAJOR PROBLEM,
B) THERE WOULD BE NO MORE TEMCO AFFAIRS (CANCELLATION OF
UNION CARBIDE - SHELL TIN CONCESSION) DURING HIS
ADMINISTRATION,

C) THE NEW INVESTMENT PROMOTION BILL, WHICH HAS BEEN ACCEPTED IN PRINCIPLE BY THE LEGISLATIVE ASSEMBLY AND WILL BE APPROVED SHORTLY BY THE ASSEMBLY AND WILL BE PROMULGATED IN FEBRUARY, HAS THE FOLLOWING SALIENT FEATURES:

- INCOME TAX EXEMPTION WILL BE FOR THREE TO EIGHT YEARS,
- LOSSES INCURRED CAN BE CARRIED FORWARD AND CAN BE DEDUCTED AS EXPENSES FOR UP TO FIVE YEARS BEYOND THE PERIOD OF "INCOME TAX HOLIDAY",
- TAX EXEMPTION OF UP TO 100 PER CENT ON IMPORTED MACHINERY,
- TAX EXEMPTION OF UP TO 90 PER CENT ON IMPORTED RAW MATERIALS,
- EXTENSION OF UP TO FIVE YEARS ON WITHHOLDING TAXES ON ROYALTIES, GOODWILL AND TECHNICAL FEES,
- A REDUCTION IN BUSINESS TAX OF UP TO 90 PER CENT FOR NOT MORE THAN TEN YEARS FOR PROMOTED PROJECTS IN AN INVESTMENT PROMOTION ZONE,
- A 50 PER CENT REDUCTION IN INCOME TAX OUTSIDE THE THREE TO EIGHT YEARS HOLIDAY FOR PROMOTED PROJECTS IN AN INVESTMENT PROMOTION ZONE,
- A GUARANTEE THAT NONE OF THE INDUSTRIES WILL BE NATIONALIZED, AND
- MORE AUTHORITY TO THE BOARD OF INVESTMENT FOR "MAXIMUM EASE IN THE DECISION-MAKING MACHINERY"

D) IMMIGRATION AND LABOR DEPARTMENT PROBLEMS WOULD BE CLEARED UP,

E) THE ALIEN BUSINESS AND OCCUPATIONS LAWS WOULD BE REVISED,
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- F) RTG DELAYS AND INEFFICIENCIES WOULD BE REDUCED,
- G) A ONE-STOP INVESTMENT CENTER WILL BE SET UP AT THE BOARD OF INVESTMENT, AND
- H) THAILAND'S SECURITY SITUATION HAS NEVER BEEN BETTER AND INVESTMENTS ARE PERHAPS AS SECURED HERE AS IN SOME OF THE HOME COUNTRIES OF BUSINESSMEN IN ATTENDANCE.

3. THE SECOND PART OF THE PRIME MINISTER'S SPEECH WAS TO APPEAL TO FOREIGN INVESTORS TO HELP THAILAND RAISE THE QUALITY OF LOCAL PRODUCTION TO WORLD STANDARDS AND GIVE "MADE-IN-THAILAND" A BETTER NAME. HE ALSO REQUESTED THAT BUSINESSMEN STOP BRIBING GOVERNMENT OFFICIALS, THEREBY ENDING CORRUPTION. HE ENDED BY DESCRIBING HIS VISION OF MILLIONS OF MARKS, POUNDS, DOLLARS, YEN, ETC. FLOODING INTO THAILAND IN THE FORM OF NEW INVESTMENT.

4. THANIN THEN GAVE A MIX OF RESPONSIVE AND UNRESPONSIVE REPLIES TO HALF A DOZEN QUESTIONS FROM THE FLOOR DEALING WITH SUCH ISSUES AS HOW THE RTG WAS GOING TO HELP EXISTING AND NON PROMOTED FOREIGN BUSINESSES, A CRITICISM OF PRICE CONTROL AND

HARMFUL CUSTOMS PRACTICES, PRAISE OF KUKRIT AND HIS TAMBON PROGRAM, AND WHETHER THAILAND SHOULD HAVE A BALANCED OR AN EXPANSIONARY BUDGET.

5. WHILE THE THAI-LANGUAGE PRESS HAS REPORTED THE SPEECH AS STRAIGHT NEWS THUS FAR, THE MAJOR ENGLISH-LANGUAGE DAILIES HAVE GIVEN THE STORY PROMINENT PLAY. THE BANGKOK POST'S EDITORIAL FOR JANUARY 26 BEGAN WITH THE STATEMENT THAT "PRIME MINISTER THANIN KRAIWICHIAN'S SPEECH TO THE MEMBERS OF THE VARIOUS CHAMBERS OF COMMERCE IN BANGKOK YESTERDAY IS THE FIRST POSITIVE ONE ON INVESTMENT BY A TOP GOVERNMENT OFFICIAL IN THAILAND IN THREE YEARS" AND ENDED WITH "IT IS NOW UP TO THE INVESTORS TO COME FORTH WITH THEIR CAPITAL AND TECHNOLOGY TO UTILIZE OUR RICH NATURAL RESOURCES, OUR ABUNDANT AND CAPABLE LABOR, AND TO TAKE ADVANTAGE OF THE INCENTIVES THAT ARE BEING OFFERED."

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COMMENT: AMERICAN BUSINESSMEN IN GENERAL HAVE EXPRESSED FAVORABLE REACTIONS TO THE PRIME MINISTER, WHOM MANY HAD NOT SEEN IN PERSON BEFORE. MANY WERE ESPECIALLY IMPRESSED BY HIS EVIDENT SINCERITY AND FRANKNESS. SOME BUSINESSMEN WERE DISAPPOINTED THAT THE SPEECH WAS DIRECTED ALMOST COMPLETELY TOWARD ATTRACTING NEW INVESTORS RATHER THAN ASSISTING THOSE ALREADY IN BUSINESS HERE AND THIS FEELING CAME OUT IN SOME OF THE QUESTIONS. OTHERS HAVE REMARKED THAT THE INCENTIVES TO BUSINESS WERE A REITERATION IN THE 1962 FOREIGN INVESTMENT ACT. HOWEVER, THERE ARE NEW ADDITIONAL INCENTIVES WHICH SHOULD ENCOURAGE INVESTORS. THANIN CANDIDLY ADMITTED THAT HIS GOVERNMENT'S TOP PRIORITY WAS TO ATTRACT NEW INVESTMENT IN CERTAIN INDUSTRIAL SECTORS RATHER THAN COMFORTING ESTABLISHED INVESTORS. HE URGED FOREIGN COMPANIES TO MOVE QUICKLY BECAUSE "FIRST COME, FIRST SERVED". HE INVITED ALL TO SUBMIT FURTHER QUESTIONS TO HIM IN WRITING. AS A RESULT, THE AMERICAN CHAMBER, FOR ONE; PLANS TO WRITE HIM SOON LISTING A NUMBER OF AREAS OF CONCERN.

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770031-0238
Format: TEL
From: BANGKOK
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770110/aaaaaihy.tel
Line Count: 158
Litigation Code IDs:
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Litigation History:
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Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3477912
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER THANIN SPEAKS TO THE FOREIGN CHAMBERS OF COMMERCE SUMMARY: PRIME MINISTER THANIN KRAIWICHIAN SPOKE
TAGS: BEXP, TH
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b7a6b5cf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009